

District Public Defenders Conference

**For the Years Ended
June 30, 1999, and June 30, 1998**

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John G. Morgan
Comptroller

May 25, 2000

The Honorable Don Sundquist, Governor
and

Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and

The Honorable E. Riley Anderson, Chief Justice
Tennessee Supreme Court
719 Locust St. SW
Knoxville, Tennessee 37901-0444
and

Mr. William Andy Hardin, Executive Secretary
District Public Defenders Conference
1623 Parkway Tower
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have conducted a financial and compliance audit of selected programs and activities of the District Public Defenders Conference for the years ended June 30, 1999, and June 30, 1998.

We conducted our audit in accordance with generally accepted government auditing standards. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the conference's compliance with the provisions of policies, procedures, laws, and regulations significant to the audit. Management of the District Public Defenders Conference is responsible for establishing and maintaining internal control and for complying with applicable laws and regulations.

Our audit resulted in no audit findings. We have reported other less significant matters involving the conference's internal controls and/or instances of noncompliance to the District Public Defenders Conference's management in a separate letter.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/mb

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
District Public Defenders Conference
For the Years Ended June 30, 1999, and June 30, 1998

AUDIT SCOPE

We have audited the District Public Defenders Conference for the period July 1, 1997, through June 30, 1999. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of revenue, expenditures, equipment, payroll and personnel, and district offices; compliance with the Financial Integrity Act; and utilization of the Department of Finance and Administration's State of Tennessee Accounting and Reporting System (STARS) grant module to record the receipt and expenditure of federal funds. The audit was conducted in accordance with generally accepted government auditing standards.

AUDIT FINDINGS

The audit report contains no findings.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
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Audit Report
District Public Defenders Conference
For the Years Ended June 30, 1999, and June 30, 1998

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District Public Defenders Conference For the Years Ended June 30, 1999, and June 30, 1998

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the District Public Defenders Conference. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

The District Public Defenders Conference is a statewide system of elected public defenders. The District Public Defenders and their staff fulfill the state’s obligation under the United States Constitution for providing legal counsel to indigent persons accused of a crime. All 31 judicial districts are served by public defenders. The District Public Defenders Conference serves all but two of these districts, the Twentieth and Thirtieth (Davidson and Shelby Counties). The conference has no administrative or financial control over the Twentieth and Thirtieth districts. However, the conference does distribute state appropriations that prior to July 1, 1991, were distributed by the Supreme Court.

The Office of the Executive Secretary is the central administrative support for the District Public Defenders Conference.

AUDIT SCOPE

We have audited the District Public Defenders Conference for the period July 1, 1997, through June 30, 1999. Our audit scope included a review of management’s controls and compliance with policies, procedures, laws, and regulations in the areas of revenue, expenditures, equipment, payroll and personnel, and district offices; compliance with the Financial Integrity Act;

and utilization of the Department of Finance and Administration's State of Tennessee Accounting and Reporting System (STARS) grant module to record the receipt and expenditure of federal funds. The audit was conducted in accordance with generally accepted government auditing standards.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

REVENUE

The objectives of our review of the revenue controls and procedures in the District Public Defenders Conference were to determine whether

- revenue transactions were reasonable and valid;
- revenue during the audit period was deposited timely and accounted for in the appropriate fiscal year;
- the petty cash amount was appropriately authorized; and
- auditee records were reconciled with Department of Finance and Administration reports.

We reviewed the applicable laws and regulations, interviewed key personnel, and reviewed supporting documentation to gain an understanding of the conference's procedures and controls over revenue. Analytical procedures were performed on revenue transactions to determine any unusual variances. Explanations for unusual variances were obtained from appropriate personnel and supporting documentation was reviewed to corroborate management's explanations. Testwork on revenue collected during the audit period consisted of transactions nonstatistically selected from all revenue sources except FICA credits. The selected revenue transactions were traced to deposit slips and journal vouchers and were reviewed for timely deposits, adequate support, and proper coding and recording. We compared the conference's petty cash amount with the Department of Finance and Administration's authorized petty cash list for appropriate authorization. We discussed reconciliation procedures for revenue records with the auditee, and we reviewed the supporting documentation.

Based on our interviews, reviews of supporting documentation, and testwork, the conference's revenue controls and procedures appeared to be adequate, revenue was deposited timely and accounted for in the appropriate fiscal year, petty cash was appropriately authorized, and the auditee's records were reconciled with the Department of Finance and Administration reports.

EXPENDITURES

The objectives of our review of expenditure controls and procedures were to determine whether

- expenditure transactions were reasonable and valid;
- the object codes and amounts for expenditures for goods or services had been recorded correctly;
- payments had been made in a timely manner;
- auditee records were reconciled with Department of Finance and Administration reports;
- payments for travel had been paid in accordance with the Comprehensive Travel Regulations;
- contracts had been established in accordance with regulations; and
- contract payments complied with contract terms and were properly approved and recorded against the contract.

We reviewed the applicable laws and regulations, interviewed key personnel, and reviewed supporting documentation to gain an understanding of the conference's procedures and controls over expenditures. Analytical procedures were performed on expenditure transactions to determine any unusual variances. Explanations were obtained from appropriate personnel and supporting documentation was reviewed to corroborate variance explanations. All expenditure transactions were scanned for inappropriate vendor names, improper object codes, or excessive amounts. Any questionable transactions were tested for propriety, proper recording, and timeliness. Reconciliation procedures were discussed with management. The reconciliation of voucher registers with Department of Finance and Administration State of Tennessee Accounting and Reporting System (STARS) reports was reviewed. Travel expenditure transactions were tested for compliance with Comprehensive Travel Regulations. All contracts were reviewed for compliance with regulations. The contract transaction amounts on the expenditure listing were traced to the contract payment schedule to determine if contract payments were in compliance with contract terms and were properly approved and recorded against the contract.

Based on our reviews, interviews, and testwork, the conference's procedures and controls over expenditure transactions appeared adequate; the expenditure transactions were reasonable, valid, and recorded correctly; and payments were made timely. The contracts were established in accordance with the regulations; payments were in compliance with contract terms, and were properly approved and recorded. Auditee records reconciled with Department of Finance and Administration reports, and travel expenses were in compliance with the Comprehensive Travel Regulations.

EQUIPMENT

The objectives of our review of equipment controls and procedures in the District Public Defenders Conference were to determine whether

- equipment purchases recorded in the State of Tennessee Accounting and Reporting System (STARS) for the audit period were on the conference's equipment listing;
- the information on the Property of the State of Tennessee (POST) property listing was properly recorded; and
- equipment was adequately safeguarded.

We reviewed the applicable laws and regulations, interviewed key personnel, and reviewed supporting documentation to gain an understanding of the conference's procedures and controls over equipment. A comparison of the conference's equipment expenditures and POST's equipment listing was made to determine completeness of the lists. A review of equipment items nonstatistically selected from the conference's equipment listing was conducted, and the description, tag number, and location were verified. In addition, equipment items nonstatistically selected from the conference's office were traced to the conference's equipment listing to determine if all equipment was accounted for and safeguarded.

Based on the reviews and testwork, the conference's procedures and controls over equipment appeared adequate. Also, equipment purchases recorded in STARS were recorded on the conference's equipment list, the equipment purchases were appropriately recorded into POST, and the equipment appeared adequately safeguarded.

PAYROLL AND PERSONNEL

The objectives of our review of payroll and personnel controls and procedures in the District Public Defenders Conference were to determine whether

- payroll (wages, salaries, and benefits) disbursements were only for work authorized and performed;
- payroll was computed using rates and other factors in accordance with contracts and relevant laws and regulations; and
- newly hired employees were qualified for their positions.

We reviewed the applicable laws and regulations, interviewed key personnel, and reviewed supporting documentation to gain an understanding of the conference's procedures and controls over payroll and personnel. An analytical review of payroll transactions was performed to determine any unusual transactions (salaries exceeding the salary range and inconsistent number of employees) and any large variances between the fiscal years. We obtained explanations and reviewed supporting documentation for each large variance noted. Payroll transactions for the

executive secretary's office were nonstatistically selected and were tested to determine if payroll was computed in accordance with contracts and relevant laws and regulations, and if the work was authorized and performed. We reviewed newly hired employees' files to determine the existence of supporting documentation for job qualifications.

Based on our interviews, reviews, and testwork, payroll disbursements were only for work authorized and performed, payroll was computed in accordance with contracts and relevant laws and regulations, and newly hired employees were qualified for their positions.

DISTRICT OFFICES

The objectives of our review of the controls and procedures at the district offices we visited were to determine whether

- controls over leave and attendance were adequate and in accordance with applicable policy;
- controls at district offices were adequate to ensure that assets purchased by the state were adequately safeguarded;
- controls at district offices were adequate to ensure that travel expenses claimed for reimbursement from the state were not also claimed for reimbursement from the county;
- salary supplements and other benefits were in accordance with applicable statutes; and
- petty cash funds were authorized by the Department of Finance and Administration.

We reviewed the applicable laws and regulations, interviewed key personnel at each district office visited, and reviewed supporting documentation to gain an understanding of the district offices' procedures and controls over leave and attendance, equipment, travel, salary supplements, and petty cash.

Leave and attendance policies and procedures were obtained for each district office visited and were reviewed to determine compliance with conference policies.

We interviewed the district public defenders to determine how each office safeguarded the state's equipment. A nonstatistical equipment sample was selected from each office's equipment listing, and the description, tag number, and location were verified. Also a nonstatistical selection of equipment items located in each district office was traced to the corresponding office's equipment listing.

A nonstatistical selection of travel claims filed with the state was reviewed for proper authorization and supporting documentation.

Salary supplements and other benefits were discussed with each public defender we visited to determine the funding source of the supplement, the method used to distribute the supplement, and the statutory authority for the supplement.

The petty cash fund amount for each of the district offices visited was verified with the Department of Finance and Administration. In addition, a petty cash count was completed and supporting documentation was reviewed.

Based on our interviews, reviews, and testwork, the district offices' procedures and controls over leave and attendance, equipment, travel, and petty cash appeared to be adequate. Also, leave and attendance policies were in accordance with applicable policy, state equipment was adequately safeguarded, travel expenses were only reimbursed by the state, there were no salary supplements from the county, and the petty cash funds had been authorized by the Department of Finance and Administration.

FINANCIAL INTEGRITY ACT

The Financial Integrity Act of 1983 requires the head of each executive agency to submit a letter acknowledging responsibility for maintaining the internal control system of the agency to the Commissioner of Finance and Administration and the Comptroller of the Treasury by June 30, 1999, and each year thereafter. In addition, the head of each executive agency is also required to conduct an evaluation of the agency's internal accounting and administrative control and submit a report by December 31, 1999, and December 31 of every fourth year thereafter.

The objectives of our review of the District Public Defenders Conference's compliance with the Financial Integrity Act were to determine whether

- the conference filed the required letter and report on internal accounting and administrative control by the due dates;
- documentation to support the conference's evaluation of its internal accounting and administrative control was properly maintained;
- procedures used in compiling information for the internal accounting and administrative control report were adequate; and
- corrective actions were implemented for weaknesses identified in the report.

We interviewed key employees responsible for compiling information for the report to gain an understanding of the conference's procedures. We also reviewed the supporting documentation for the responsibility letter and the internal accounting and administrative control report submitted to the Comptroller of the Treasury and to the Department of Finance and Administration (F&A) to determine if the letter and report were filed in compliance with the Financial Integrity Act. We reviewed supporting documentation to determine that the procedures

for compiling information were adequate, that the conference's evaluation of its controls were properly maintained, and that the corrective actions were implemented for weaknesses identified.

Based on our reviews and testwork, we determined that the conference filed the Financial Integrity Act letter and report in compliance with the Financial Integrity Act; the documentation to support the internal accounting and administrative control report was properly maintained; the procedures used in compiling the information were adequate; and the corrective actions for the weaknesses were implemented.

**DEPARTMENT OF FINANCE AND ADMINISTRATION POLICY 20,
“RECORDING OF FEDERAL GRANT EXPENDITURES AND REVENUES”**

Department of Finance and Administration Policy 20 requires that state departments whose financial records are maintained on the State of Tennessee Accounting and Reporting System (STARS) fully utilize the STARS grant module to record the receipt and expenditure of all federal funds. Our objectives were to determine whether

- appropriate grant information was entered into the STARS Grant Control Table upon notification of the grant award, and related revenue and expenditure transactions were coded with the proper grant codes; and
- the conference utilized the appropriate STARS reports as bases for preparing the Schedules of Federal Financial Assistance and reports submitted to the federal government.

We interviewed key personnel to gain an understanding of the conference's procedures and controls concerning Policy 20. We reviewed the grant contract, STARS reports, and supporting documentation to determine the compliance issues. We reviewed all grant transactions to determine if revenue and expenditure transactions were coded properly. We reviewed the Schedule of Expenditures of Federal Awards and the appropriate STARS reports to determine if the STARS reports were utilized as the bases for preparing the schedule.

Based on our interviews and reviews, the conference's procedures and controls concerning Policy 20 appeared adequate. Also, the appropriate grant information was entered into STARS, revenue and expenditure transactions were coded properly, and STARS reports were utilized as the basis for the Schedule of Expenditures of Federal Awards.

OBSERVATIONS AND COMMENTS

TITLE VI OF THE CIVIL RIGHTS ACT OF 1964

Tennessee Code Annotated, Section 4-21-901, requires each state governmental entity subject to the requirements of Title VI of the Civil Rights Act of 1964 to submit an annual Title VI compliance report and implementation plan to the Department of Audit by June 30, 1994, and each June 30 thereafter. The District Public Defenders Conference filed its compliance report and implementation plan on June 30, 1999, and June 30, 1998.

Title VI of the Civil Rights Act of 1964 is a federal law. The act requires all state agencies receiving federal money to develop and implement plans to ensure that no person shall, on the grounds of race, color, or origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal funds.

On October 15, 1998, the Commissioner of Finance and Administration notified all cabinet officers and agency heads that the Human Rights Commission is the coordinating state agency for the monitoring and enforcement of Title VI.

A summary of the dates state agencies filed their annual Title VI compliance reports and implementation plans is presented in the special report *Submission of Title VI Implementation Plans*, issued annually by the Comptroller of the Treasury.

APPENDIX

DIVISIONS AND ALLOTMENT CODES

District Public Defenders Conference divisions and allotment codes:

306.01	Public Defenders
306.03	Executive Director of the Public Defenders
306.10	Shelby County Public Defenders
306.12	Davidson County Public Defenders